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Order 2002-7-5

Served: July 8, 2002



**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 2nd day of July, 2002

Essential Air Service at

**ADAK, ALASKA**

under 49 U.S.C. 41731 *et seq.*

Docket OST-2000-8556 -45

**ORDER REQUESTING PROPOSALS**

**Summary**

By this order, the Department is requesting proposals from carriers interested in providing essential air service (EAS) at Adak, Alaska.

**Background**

By Order 2001-7-3 the Department selected Evergreen International Airlines, Inc., to provide two round trips a week with jet equipment between Anchorage and Adak (about 1,200 miles) with an intermediate stop at Cold Bay. Annual subsidy was set at \$1,502,542 the first year, with the second year of service and subsidy to be negotiated. Because Evergreen estimated it would need four months to acquire the equipment and operating authority to inaugurate passenger and cargo combination "combi" service, we made an interim selection of Evergreen's proposed one-round-trip-a-week all-cargo service at \$748,392 annually, the rate the carrier agreed to in the carrier selection proceeding, until it could begin its Boeing 727-100 combination service. That interim all-cargo service was in addition to Peninsula Airways, Inc.'s (Peninsula) interim passenger <sup>1</sup> service selected by Order 2001-6-15, consisting of four round trips per week in the peak period and 3 in the off-peak period to Anchorage with 19-seat aircraft for \$564,043 annually.

For a variety of reasons beyond its control, Evergreen did not inaugurate passenger service as contemplated, and we have relied on Peninsula's interim passenger service

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<sup>1</sup> Peninsula would be able to accommodate only a small portion of the significant amounts of mail and cargo shipped to Adak.

and Evergreen's interim all-cargo service up until now. However, because of the long distances involved and the notoriously difficult weather in the Aleutians, and because Adak's EAS definition requires service with 60-seat or larger aircraft, the interim service level, 19-seat turboprop service offered for passengers and all-cargo jet service by Evergreen, may not be appropriate on a long-term basis. The community of Adak passed a resolution on May 20, 2002, asking Evergreen to abide by the intent of Order 2001-7-3 and inaugurate the passenger combi service it agreed to provide. On May 31, 2002, the Department requested that Evergreen commit within 20 days to a date certain when it would inaugurate the contemplated service, and Evergreen did not respond.

Accordingly, we are requesting proposals for replacement service at Adak. Both Evergreen and Peninsula are required to continue the interim service they are currently providing until we conclude the carrier selection proceeding. As always, we will consider community support and subsidy need as two important criteria in making our carrier-selection decision.

#### **Community Service Needs**

Adak is a small community located toward the western end of the Aleutian chain. The nearest connecting hubs are Dutch Harbor, 445 miles, Cold Bay, 616 miles, and Anchorage, 1,192 miles distant. Per the June Official Airline Guide, Dutch Harbor has two daily round trips with jets to Anchorage. At Cold Bay, Peninsula provides the only passenger service with a total of 11 nonstop round trips a week, four with 19-seat Metros and seven with 34-seat Saab 340 equipment.

The makeup of the community of Adak has changed over the last several years. Adak was once the site of a large naval base that has since closed. However, while the base closing has resulted in fewer year-round residents, it has also resulted in a number of employees of private contractors needing access to Adak in connection with environmental protection projects and the reuse of the extensive facilities. There is also a small fishing industry. We have included in Appendix B historical traffic for Adak.

The community officials indicate that Anchorage is their primary community of interest, and that service to other airports serves only as connecting point to get passengers and cargo to Anchorage. They would prefer jet service to Anchorage over anything else, while recognizing the tradeoff between size of aircraft and frequency of service. The community feels it is critical that passengers be able to rely on getting to or from Anchorage in a single day, whether flying by jet or small aircraft, and no matter what intermediate stops are made or connecting hubs used. Otherwise, passengers must suffer the expense and inconvenience of over-nighting at Dutch Harbor for at least a day, and maybe several if there is bad weather. The community feels that service with larger aircraft to Cold Bay would be more conducive to that goal of same-day service to Anchorage than would small aircraft service to Dutch Harbor.

The community prefers Cold Bay as a connecting hub compared to Dutch Harbor because "it is possible to land in Cold Bay a much larger percentage of the time because their weather is better and the airport has longer and easier access runways." If Adak's only service were to Dutch Harbor, the community contends that fishing crews might choose to rotate crews at other islands and contractors might choose to charter aircraft in from Anchorage rather than depend on scheduled service from Dutch Harbor that could be unreliable due to weather and the less accessible runway.

Finally, the community prefers service with larger aircraft, pointing out that there have been several times when Peninsula, because of the limited capacity of its aircraft, has had to fly passengers but leave their baggage behind. Bad weather and limited daylight operating hours in the winter create very narrow operating windows. Thus, small planes cannot consistently be relied on to transport large volumes of traffic by offering extra sections or more frequent schedules.

#### **Essential Air Service Determination**

Essential air service at Adak is defined as at least five round trips during the peak season and four round trips during the off-peak season to Anchorage (up to two intermediate stops permitted) with 60-seat or larger aircraft.<sup>2</sup>

#### **Request for Proposals**

We request proposals from carriers interested in providing replacement service at Adak. Proposals should contemplate service to Anchorage with large aircraft having a minimum of 60 available passenger seats. In order to assist carriers in making their traffic and revenue forecasts, we have included historical traffic data for Adak in Appendix B.<sup>3</sup> We will also entertain proposals to serve other hubs that provide access to the national air transportation system in order to give the Department and the community as broad an array of proposals as possible from which to choose. As always, we will formally solicit the State and the community's views on any service options we receive before making a long-term carrier selection decision.

#### **Procedures for Filing Replacement Proposals**

For interested carriers not familiar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under 49 U.S.C. 41734(f) and discusses in detail the process of requesting proposals, conducting reviews of applicants, and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, a copy of Part 204 of our regulations (14 CFR 204), and schedules setting forth our

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<sup>2</sup> Civil Aeronautics Board Order 80-1-167, January 25, 1980.

<sup>3</sup> When Reeve Aleutian Airways ceased service at Adak, there was a hiatus of service at the community. Recently, as a stopgap measure, we have selected separate carriers to carry passengers and mail. We believe that annual traffic reported by Reeve before it ceased service is the best indicator of Adak's traffic-generating potential, and have included those data in Appendix B.

recommended form for submitting data required for calculating compensation and determining the financial and operational ability of applicants to provide reliable EAS. (Section 204.4 describes the fitness information required of all applicants for authority to provide essential air service.) Applicant carriers that have already submitted this information in another case need only resubmit it if a substantial change has occurred.

However, if there are more recent data or if there have been any changes to the information on file, carriers should provide updates of those information elements. Interested carriers that need to obtain copies of these documents may contact the Office of Aviation Analysis at (202) 366-1053.

### **Other Carrier Requirements**

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces and nondiscrimination.<sup>4</sup> Consequently, all carriers receiving Federal subsidy to support essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and non-discrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

### **Community and State Comments**

The community and State are welcome to submit comments on the proposals at any time.<sup>5</sup> Early in the proceeding, comments on the proposals' strengths and weaknesses would be particularly helpful, and the civic parties may also express a preference for a particular carrier, if they choose. In any event, after conducting rate conferences with all applicants, we will provide a summary of the conference results to the civic parties and ask them to file their final comments.<sup>6</sup>

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<sup>4</sup> The regulations applicable to these areas are: (1) 49 CFR Part 20 – New restrictions on lobbying; (2) 49 CFR Part 21 – Nondiscrimination in federally-assisted programs of the Department of Transportation – Effectuation of title VI of the Civil Rights Act of 1964; 49 CFR Part 27 – Nondiscrimination on the basis of disability in programs and activities receiving or benefiting from Federal financial assistance; and 14 CFR Part 382 - Nondiscrimination on the basis of disability in air travel; and (3) 49 CFR Part 29 – Government-wide debarment and suspension (non-procurement) and government-wide requirements for drug-free workplace (grants).

<sup>5</sup> An original and five copies of all comments should be sent to: Docket Operations and Media Management Division, SVC-124, Office of the Secretary, U.S. Department of Transportation, Room PL 401, 400 Seventh Street, S.W., Washington, DC 20590.

<sup>6</sup> In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be provided reliably without such compensation, we do not normally hold rate conferences. Instead, we rely on the carrier's subsidy-free service as proposed.

This order is issued under authority delegated in 49 CFR 1.56a(f).

**ACCORDINGLY;**

1. The Department requests that carriers interested in providing essential air service at Adak submit their proposals, with subsidy if necessary, within 30 days after the date of service of this order. Proposals should include all the data required by section 204.4 of the Department's Regulations (14 CFR 204.4). An original and five copies of the proposal should be sent to the EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street, S.W., Washington, D.C. 20590, with the title "Proposal to Provide Essential Air Service at Adak, Docket OST 2000-8556;"
2. This docket will remain open until further order of the Department; and
3. The Department will serve a copy of this order on the community of Adak, Alaska, the Alaska Department of Transportation and Public Facilities, Peninsula Airways, Inc., and the carriers and other parties listed in Appendix C.

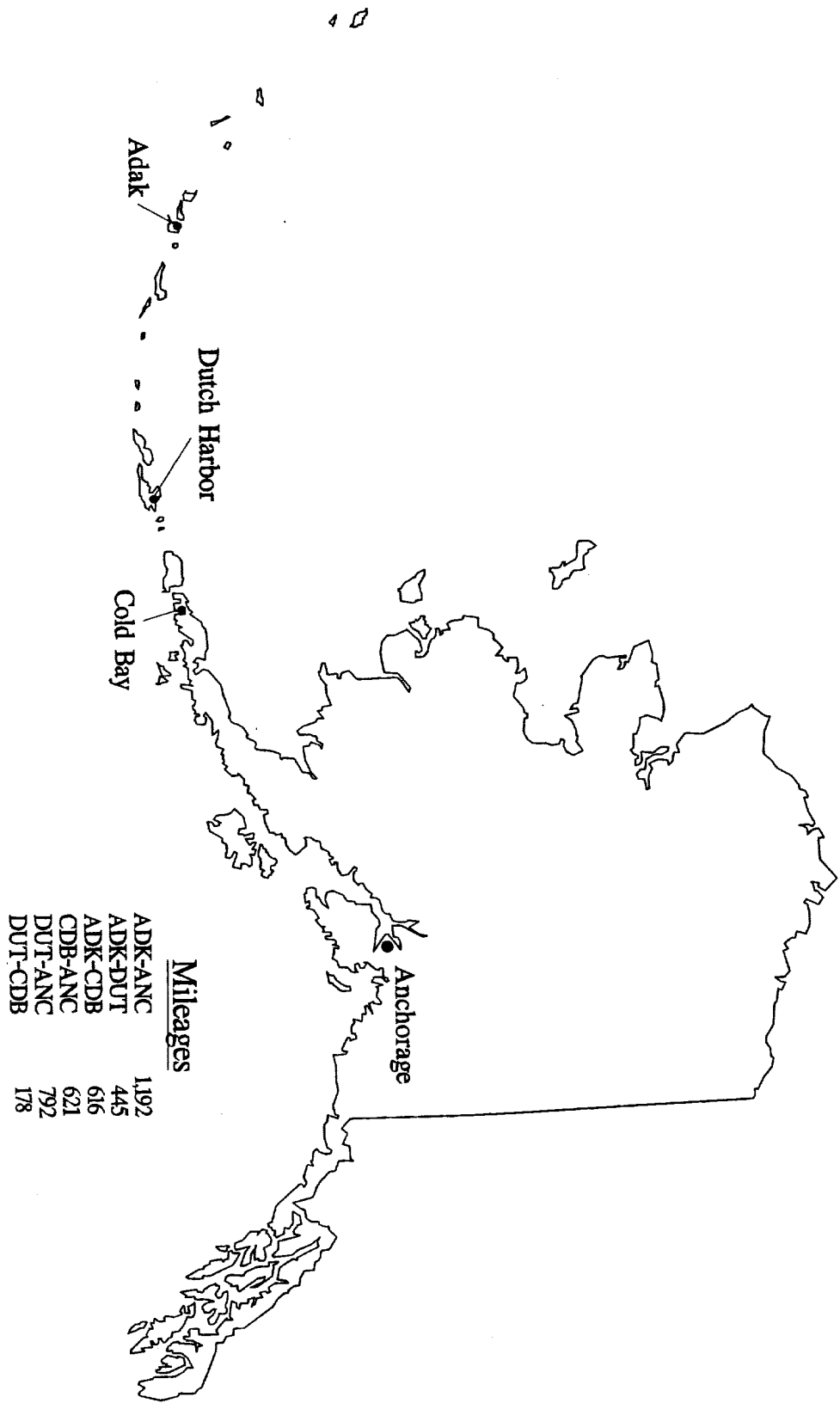
By:

**READ C. VAN DE WATER**  
Assistant Secretary for Aviation  
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at  
<http://dms.dot.gov>*

# Area Map



## Appendix B

### Historical Traffic Reported By Reeve Aleutian Airways

#### Adak to Anchorage

	<u>Pax</u>	<u>Frt. (lbs.)</u>	<u>Mail (lbs.)</u>	<u>PEQ's</u>
1 <sup>st</sup> Qtr Calc.	428	11,020	8,100	523.6
QE 6/30/99	737	20,000	13,160	902.8
QE 9/30/99	847	78,460	14,920	1,313.9
QE 12/31/99	601	43,960	29,460	968.1
QE 3/31/00	524	14,500	16,880	680.9
QE 6/30/00	556	26,760	21,480	497.0
QE 9/30/00	833	26,160	72,560	1,326.6

#### Anchorage to Adak

	<u>Pax</u>	<u>Frt. (lbs.)</u>	<u>Mail (lbs.)</u>	<u>PEQ's</u>
1 <sup>st</sup> Qtr Calc.	600	228,220	75,660	2,119.4
QE 6/30/99	732	371,020	105,860	3,116.4
QE 9/30/99	809	264,040	119,280	2,725.6
QE 12/31/99	421	170,780	99,180	1,770.8
QE 3/31/00	696	152,700	117,720	2,048.1
QE 6/30/00	N/A	N/A	N/A	N/A
QE 9/30/00	750	155,980	142,380	2,241.8

Source: Reeve Aleutian T-100 and T-3A

Note: PEQ indicates passenger equivalents. 200 lbs. of freight of mail equals one passenger.

## SERVICE LIST FOR THE STATE OF ALASKA

Aaron Air	Hageland Aviation Services, Inc.	Scenic Mountain Air, Inc.
Aero Tech Flight Service, Inc.	Haines Airways, Inc.	Seaside Air Service
Air Excursions	Heli-Lift, Inc.	Security Aviation, Inc.
Air Lift Alaska	Homer Air	Seward Flying Service, Inc.
Air Madura	Hudson Air Service, Inc.	Silver Bay Logging, Inc.
Alaska Airlines, Inc.	Iliamna Air Taxi, Inc.	Skagway Air Service, Inc.
Alaska Bush Carrier, Inc.	Island Air Service	Soloy Helicopters, Inc.
Alaska Central Express, Inc.	Island Wings Air Service	Southcentral Air, Inc.
Alaska Coastal Airlines, Inc.	Jim Air, Inc.	Specialized Air Service
Alaska Fly'N Fish Charters	K2 Aviation	Spemak Airways
Alaska Flyers	Kachemak Air Service, Inc.	Sunrise Aviation, Inc.
Alaska Helicopters, Inc.	Kachemak Bay Flying Service, Inc.	Tamarack Air, Ltd.
Alaska Island Air, Inc.	Katmai Air	Tanana Air Service
Alaska Seair Adventures	Kenai Air Alaska, Inc.	Taquan Air Service, Inc.
Alaska West Air, Inc.	Kenai Fjords Outfitters, Inc.	Tatonduk Outfitters, Inc.
Aleutian Air, Ltd.	Kenair	Temco Helicopters, Inc.
Aleutian Specialty Aviation	Ketchikan Air Service, Inc.	Totem Air
Allegheny Commuter airlines, Inc.	Ketchum Air Service, Inc.	Trans-Alaska Helicopters, Inc.
Amerijet International, Inc.	Kodiak Air Service	Trans-Porter Alaska, Inc.
Arctic Air Alaska, Inc.	Koyukon Air, Inc.	Tundra Copters, Inc.
Arctic Circle Air Service, Inc.	Kupreanof Flying Service	Umiat Enterprises, Inc.
Baker Aviation, Inc.	Kusko Aviation, Inc.	Uyak Air Service
Bellair, inc.	L.A.B. Flying Service, Inc.	Vemair
Beluga Lake Float Plane Service	Larry's Flying Service, Inc.	Warbelow's Air Ventures, Inc.
Bering Air, Inc.	Loken Aviation, Inc.	Ward Air
Bran-Air & Branham Adventures	Lone Star Airlines, Inc.	Wings of Alaska
Carnai Air	Lone Wolf Aero Services, Inc.	Woods Air Service, Inc.
Canning Air Service	Maritime Helicopters, Inc.	Wrangell Mountain Air, Inc.
Cape Smythe Air Service, Inc.	MarkAir, Inc.	Wright Air Service, Inc.
Cassaron Turbo Helicopters	Metroflight, Inc.	Yukon Helicopters
Chugiak Aviation	Midway Airlines, Inc.	Yutana Airlines, Inc.
Clearwater Air, Inc.	Midwest Express Airlines, Inc.	Yute Air Alaska, Inc.
Coastal Helicopters, Inc.	Misty Fjords Air & Outfitting	
Cordova Air Service, Inc.	Mountain Aviation	
CPA Air Service	Mountain Helicopters	Alaska Juneau Aeronautics, Inc.
Customized Alaskan Adventures	Nash West Aviation, Ltd.	Ken Bannon
Delta Connection	Natron Air	E. B. Freeman
Denali air	Nordic Air	A. Edward Jenner
Egli Air Haul, Inc.	North Star Air Cargo, Inc.	John McFarlane
Ellis Air Taxi, Inc.	Northern Air Cargo, Inc.	Kevin Thomas
Ellison Air, Inc.	Northwest Airlink	Pat Dempsey
ERA Aviation, Inc.	Olson Air Service, Inc.	P. Richard Steinman III
F.S. Air Service, Inc.	Pacific Wing, Inc.	
Fishing and Flying	Peninsula Airways, Inc.	
Fiskehawk Aero Service	Precision Valley Aviation, Inc.	
Forty (40)-Mile Air, Ltd.	Promech, Inc.	
Frontier Flying Service, Inc.	Ram Air, Inc.	
Golden Plover Air	Ray Atkins Registered Guide	
Grant Aviation, Inc.	Rediske Air, Inc.	
Great Northern Air Guides	Reeve Aleutian Airways, Inc.	
Gulf Air Taxi, Inc.	Regal Air	
Gulf Aviation, Inc.	Reid Air	
Gulkana Air Service, Inc.	Rust's Flying Service, Inc.	
	Ryan Air Service, Inc.	